

Community Futures Wood Buffalo
Financial Statements
March 31, 2018

Management's Responsibility

To the Members of Community Futures Wood Buffalo:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 4, 2018



Jon Close, General Manager

Independent Auditors' Report

To the Members of Community Futures Wood Buffalo:

We have audited the accompanying financial statements of Community Futures Wood Buffalo, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Wood Buffalo as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort McMurray, Alberta

July 4, 2018

MNP LLP

Chartered Professional Accountants

Community Futures Wood Buffalo
Statement of Financial Position
As at March 31, 2018

	General Fund	Loan Investment Fund - Repayable	Loan Investment Fund - Non- Repayable	Loan Investment Fund - Disabilities	Loan Investment Fund - WBRLPP	Capital Fund	2018	2017
Assets								
Current								
Cash and cash equivalents (Note 3)	55,857	-	391,460	2,798	267,064	-	717,179	810,047
Marketable securities	-	-	600,000	208,973	-	-	808,973	196,062
Accounts receivable	1,719	-	225	-	541,644	-	543,587	6,256
Goods and services tax receivable	18,715	-	-	-	-	-	18,715	14,007
Prepaid expenses	6,038	-	-	-	-	-	6,038	5,193
Inter-fund receivable (payable)	20,167	317,239	(717,680)	83,485	296,789	-	-	-
	102,496	317,239	274,005	295,256	1,105,497	-	2,094,492	1,031,565
Capital assets (Note 4)	-	-	-	-	-	32,523	32,523	39,402
Loans receivable (Note 5)	-	-	410,892	-	939,618	-	1,350,511	694,703
	102,496	317,239	684,897	295,256	2,045,115	32,523	3,477,526	1,765,670

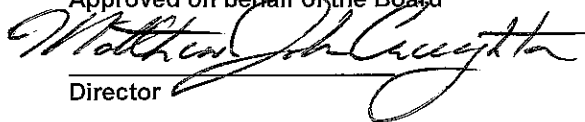
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The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Financial Position
As at March 31, 2018

	General Fund	Loan Investment Fund - Repayable	Loan Investment Fund - Non- Repayable	Loan Investment Fund - Disabilities	Loan Investment Fund - WBRLPP	Capital Fund	2018	2017
Liabilities								
Current								
Bank indebtedness (Note 6)	-	-	-	-	-	-	-	376,113
Accounts payable and accruals	38,857	-	-	-	-	-	38,857	56,634
Deferred revenue (Note 7)	-	-	-	-	-	-	-	24,783
	38,857	-	-	-	-	-	38,857	457,530
Investment funds repayable (Note 8)	-	300,000	-	200,000	-	-	500,000	500,000
	38,857	300,000	-	200,000	-	-	538,857	957,530
Commitments (Note 9)								
Net Assets								
General Fund	63,639	-	-	-	-	-	63,639	71,958
Loan Investment Funds (Note 10)	-	17,239	684,897	95,256	2,045,115	-	2,842,507	696,780
Capital Fund	-	-	-	-	-	32,523	32,523	39,402
	63,639	17,239	684,897	95,256	2,045,115	32,523	2,938,669	808,140
	102,496	317,239	684,897	295,256	2,045,115	32,523	3,477,526	1,765,670

Approved on behalf of the Board


 Director


 Director

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Operations
For the year ended March 31, 2018

	<i>General Fund</i>	<i>Loan Investment Fund - Repayable</i>	<i>Loan Investment Fund - Non- Repayable</i>	<i>Loan Investment Fund - Disabilities</i>	<i>Loan Investment Fund - WBRLPP</i>	<i>Capital Fund</i>	2018	2017
Revenue								
Regional Municipality of Wood Buffalo contribution <i>(Note 10)</i>	-	-	-	-	2,000,000	-	2,000,000	-
Western Economic Diversification contribution <i>(Note 11)</i>	319,963	-	-	-	72,877	-	392,840	319,963
Interest income	-	-	63,282	12,935	22,532	-	98,749	87,105
Government of Alberta - CARES contribution	-	-	-	-	67,850	-	67,850	-
Other income	36,649	-	-	-	4,361	-	41,010	57,895
Business Support Network revenue	36,375	-	-	-	-	-	36,375	-
Economic development Back to Business Resource Centre	-	-	-	-	-	-	-	1,000
	-	-	-	-	-	-	-	41,006
	392,987	-	63,282	12,935	2,167,620	-	2,636,824	506,969

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Community Futures Wood Buffalo
Statement of Operations
For the year ended March 31, 2018

	General Fund	Loan Investment Fund - Repayable	Loan Investment Fund - Non- Repayable	Loan Investment Fund - Disabilities	Loan Investment Fund - WBRLPP	Capital Fund	2018	2017
Total revenue <i>(Continued from previous page)</i>	392,987	-	63,282	12,935	2,167,620	-	2,636,824	506,969
Expenses								
Advertising	2,975	-	-	-	-	-	2,975	2,529
Amortization	-	-	-	-	-	12,305	12,305	16,831
Annual general meeting	-	-	-	-	-	-	-	966
Bad debts (recovery)	-	-	(27,514)	-	-	-	(27,514)	93,291
Bank charges and interest	1,710	-	928	-	198	-	2,836	2,065
Business Support Network expenses	31,293	-	-	-	-	-	31,293	456
Conference fees	3,506	-	-	-	-	-	3,506	1,457
Insurance	4,575	-	-	-	-	-	4,575	3,837
Interest on callable debt	-	2,191	-	-	-	-	2,191	11,231
Meals	6,513	-	-	-	-	-	6,513	7,884
Office	21,486	-	-	-	19,460	-	40,946	14,230
Professional fees	42,630	-	-	-	28,286	-	70,916	38,391
Rent	33,995	-	-	-	12,900	-	46,895	46,163
Repairs and maintenance	1,315	-	-	-	8,150	-	9,465	8,064
Salaries and benefits	213,450	-	-	-	51,880	-	265,330	256,133
Staff and board development	4,267	-	-	-	-	-	4,267	9,698
Telephone	6,530	-	-	-	-	-	6,530	8,083
Travel	21,635	-	-	-	1,631	-	23,266	36,375
	395,880	2,191	(26,586)	-	122,505	12,305	506,295	557,684
Excess (deficiency) of revenue over expenses	(2,893)	(2,191)	89,868	12,935	2,045,115	(12,305)	2,130,529	(50,715)

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Changes in Net Assets
For the year ended March 31, 2018

	<i>General Fund</i>	<i>Loan Investment Fund - Repayable</i>	<i>Loan Investment Fund - Non- Repayable</i>	<i>Loan Investment Fund - Disabilities</i>	<i>Loan Investment Fund - WBRLPP</i>	<i>Capital Fund</i>	<i>2018</i>	<i>2017</i>
Net assets, beginning of year	71,958	19,430	595,029	82,321	-	39,402	808,140	858,855
Excess (deficiency) of revenue over expenses	(2,893)	(2,191)	89,868	12,935	2,045,115	(12,305)	2,130,529	(50,715)
Capital asset additions	(5,426)	-	-	-	-	5,426	-	-
Net assets, end of year	63,639	17,239	684,897	95,256	2,045,115	32,523	2,938,669	808,140

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash flows from operating activities		
Operating		
Excess (deficiency) of revenue over expenses	2,130,529	(50,715)
Amortization	12,305	16,831
Bad debts (recovery)	(27,514)	93,291
	2,115,320	59,407
Changes in working capital accounts		
Accounts receivable	(537,331)	(18,789)
Goods and services tax receivable	(4,708)	(5,670)
Prepaid expenses	(845)	(825)
Accounts payable and accruals	(17,777)	33,395
Deferred revenue	(24,783)	(1)
	1,529,876	67,517
Financing activities		
Repayment of bank indebtedness	(376,113)	-
Investing activities		
Net purchase of marketable securities <i>(Note 13)</i>	(612,911)	(5,243)
Purchase of capital assets	(5,426)	(1,704)
Net repayment (advances) of loans receivable <i>(Note 13)</i>	(628,294)	3,300
	(1,246,631)	(3,647)
Increase (decrease) in cash and cash equivalents	(92,868)	63,870
Cash and cash equivalents, beginning of year	810,047	746,177
Cash and cash equivalents, end of year	717,179	810,047

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo

Notes to the Financial Statements

For the year ended March 31, 2018

1. Incorporation and nature of the organization

Community Futures Wood Buffalo (the "Organization") was incorporated under the authority of the Business Corporations Act of Alberta as a not-for-profit organization and is exempt from income taxes under Section 149 of the Income Tax Act.

The Organization provides a wide range of small business services and business management tools including access to loans and other financial services that small businesses may otherwise be unable to obtain from other financial institutions. The Organization also runs specialized business programs and actively works with community and business leaders to foster rural economic growth.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains three funds: the General Fund, the Loan Investment Fund and the Capital Fund.

The General Fund reports the Organization's accounts for the operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Investment Fund reports the Organization's restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans and loan guarantees.

The Loan Investment Fund - Disabilities reports the Organization's resources provided to businesses owned and operated by disabled persons. The Loan Investment Fund - Non-Repayable, reports the Organization's resources provided to businesses through its non-repayable funding. The Loan Investment Fund - Repayable, reports the Organization's resources provided to businesses through its repayable funding. The Loan Investment Fund - Wood Buffalo Recovery Loan Partnership Program ("WBRLPP"), reports the Organization's resources provided to businesses primarily through its funding provided by Regional Municipality of Wood Buffalo ("RMWB").

The Capital Fund reports all contributions and expenditures relating to capital assets.

The Organization is restricted in the types of loans that can be made according to its agreements with Western Economic Diversification Canada ("WED"), Community Futures Network of Alberta ("CFNA"), and RMWB.

Revenue recognition

The Organization uses the restricted fund method of accounting for contributions. Restricted contributions related to specific fund are recognized as revenue of the appropriate fund in the year in year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for which no corresponding restricted fund is presented are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue of the General Fund when earned.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, cash on hand and highly liquid marketable securities with maturities less than 3 months. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

2. **Significant accounting policies** *(Continued from previous page)*

Marketable securities

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Loans receivable

Loans are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Amortized cost is calculated as the loans' principal amount plus unamortized loan administration fees less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	straight-line	5 years
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	term of lease

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable and loans receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions. At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in statement of operations for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year statement of operations.

Community Futures Wood Buffalo
Notes to the Financial Statements
For the year ended March 31, 2018

3. Cash and cash equivalents

	2018	2017
Unrestricted cash	717,179	785,264
Restricted cash	-	24,784
	717,179	810,048

In the prior year, restricted cash consisted of deferred funding from Western Economic Diversification Canada (Note 7).

4. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	108,049	100,788	7,261	10,721
Computer software	5,474	4,783	691	1,707
Furniture and fixtures	65,925	57,363	8,562	6,963
Leasehold improvements	72,891	56,882	16,009	20,011
	252,339	219,816	32,523	39,402

5. Loans receivable

	2018	2017
Loans receivable	1,425,511	771,010
Less: allowance for doubtful accounts	75,000	76,307
	1,350,511	694,703

Loans receivable include term loans and lines of credit which bear interest at fixed rates varying from 6.75% - 12.99% (2017 - 0.75% - 12.99%), with monthly principal payments and interest repayments amortized for terms between 24 and 48 months (2017 - 14 and 60 months). Security is taken on these loans and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

It is impractical to determine the current portion of loans receivable.

6. Bank indebtedness

The Organization had access to a line of credit with Community Futures Network of Alberta bearing interest at the RBC prime rate, authorized to a maximum of \$1,250,000 (2017 - \$1,250,000). During the year, the Organization repaid the outstanding balance.

The Organization has access to an RBC credit card facility, authorized to a maximum of \$5,000 (2017 - \$5,000), bearing interest at 19.9%. As at March 31, 2018, \$485 (2017 - \$4,226) had been drawn on this facility.

Community Futures Wood Buffalo
Notes to the Financial Statements
For the year ended March 31, 2018

7. Deferred revenue

Changes in the deferred contribution balance are as follows:

	2018	2017
Western Economic Diversification Canada		
Balance, beginning of year	24,783	24,784
Amount received during the year	366,177	319,962
Amounts recognized as revenue during the year	(390,960)	(319,963)
	-	24,783

8. Investment funds repayable

	2018	2017
Western Economic Diversification Canada Conditionally Repayable Contribution, non-interest bearing, unsecured, repayable upon 30 days notice in an event of default as defined in the contribution agreement.	300,000	300,000
Western Economic Diversification Canada Conditionally Repayable Contribution, non-interest bearing, unsecured, repayable upon 30 days notice in an event of default as defined in the contribution agreement.	200,000	200,000
	500,000	500,000

Western Economic Diversification Canada Conditionally Repayable Contributions are subject to certain conditions as stipulated in the contribution agreement. As at March 31, 2018, the Organization is in compliance with all such conditions required in this agreement.

9. Commitments

At at March 31, 2018, the Organization has \$59,519 (2017 - \$145,332) of undisbursed line of credit funds that have been committed.

The Organization has entered into rental and equipment lease agreements with estimated minimum annual payments as follows:

2019	48,329
2020	48,063
2021	24,032

10. Net assets - loan investment funds

Included in net assets - loan investment funds is a Western Economic Diversification Canada Non-Repayable Contribution in the amount of \$1,300,000 (2017 - \$1,300,000). The amount is non-interest bearing, unsecured and is non-repayable to the extent that the Organization is not in default of the Contribution Agreement. As at March 31, 2018, management believes the Organization is in compliance with the agreement.

Included in net assets - loan investment funds is a RMWB non-repayable contribution in the amount of \$2,000,000 (2017 - \$nil). During the year, RMWB approved the Wood Buffalo Recovery Loan Partnership Program starting June 1, 2017 and ending September 30, 2018 and contributed \$2,000,000 (2017 - \$nil) to the Organization to be used for this purpose, of which \$500,000 (2017 - \$nil) is in accounts receivable at year-end. The amount is non-interest bearing, unsecured and is non-repayable to the extent that the Organization is not in default of the Contribution Agreement. As at March 31, 2018, management believes the Organization is in compliance with the agreement.

Community Futures Wood Buffalo
Notes to the Financial Statements
For the year ended March 31, 2018

11. Western Economic Diversification contribution - WBRLPP

In fiscal 2018, the Organization entered into an agreement Western Economic Diversification Canada to provide the Organization with financial assistance for the delivery and administration of the Wood Buffalo Recovery Loan Partnership Program. Under the terms of the agreement, Western Economic Diversification Canada will provide the Organization with funding of \$10,411 per loan approved and disbursed during the contract period to a maximum of 13 loans for a total of \$135,343.

During the year, the following loans were approved and disbursed as part of this agreement:

Date loan approved	WBRLPP loan #	Description	Loan amount
<u>Claim 1</u>			
October 30, 2017	RMWB T#13	Expansion capital	\$40,000
November 15, 2017	RMWB T#12	Expansion capital	\$92,000
November 29, 2017	RMWB T#14	Equipment and expansion capital	\$100,000
<u>Claim 2</u>			
February 7, 2018	RMWB T#15	Expansion capital	\$40,000
March 5, 2018	RMWB T#16	Working capital	\$90,000
March 14, 2018	RMWB T#17	Start-up capital	\$10,000
March 14, 2018	RMWB T#18	Start-up capital	\$90,000

As a result of the approval and disbursement of 7 loans during the year, the Organization received a contribution of \$72,877 (2017 - \$nil), of which \$41,644 (2017 - \$nil) is included in accounts receivable at year-end.

12. Economic dependence

The Organization receives a substantial portion of its funding from Western Economic Diversification Canada. During the year, an agreement was signed covering the period of April 1, 2018 to March 31, 2021 that will provide annual funding of \$319,963 to the Organization.

13. Supplemental cash flow information

Cash flows related to loans receivable and marketable securities have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

14. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Financial instruments that subject the Organization to concentrations of credit risk consist primarily of accounts receivable and loans receivable. The balance of accounts receivable and loans receivable are widely distributed among the Organization's customer base. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectable accounts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk on its marketable securities and loans receivable that bear interest at fixed rates.

Community Futures Wood Buffalo
Notes to the Financial Statements
For the year ended March 31, 2018

14. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. The Organization's exposure to liquidity risk is dependent on the collection of loans receivable to meet commitments and sustain operations.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.